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Evaluation of UI-sponsored Training

Norman Park, Craig Riddell and Robert Power

Purpose

The purpose of this brief is to present a summary of a major evaluation of UI-sponsored training in Canada between 1988 and 1991. While previous studies have focused on the effects of particular training programs on participants, this evaluation is unique in presenting a comparative analysis of the training options available to UI recipients and their various impacts on labour market outcomes.

Introduction and context

Heading into the mid 1990s, Canada faces numerous well-publicized problems of economic adjustment, ranging from industrial restructuring in response to competitive pressures to high unemployment rates. The number of jobs requiring a high level of skills is increasing, and many jobs that traditionally required lower levels of skill are disappearing. A mismatch between available and required skills means that some jobs go unfilled despite persistently high unemployment rates. For these reasons, government policies that promote job-related training are receiving more attention in Canada.

Job training may be particularly beneficial for people on UI. Indeed, a significant number of the unemployed may not be able to find work without further training. If true, this calls into question the traditional view that the function of UI is to provide temporary income replacement until the claimant can find work. More active steps such as enrolling in training programs may be necessary for a claimant to become re-employed.

These considerations prompted the federal government to announce the Labour Force Development Strategy in 1989. In this policy, the government stated that it planned to shift the emphasis of the Unemployment Insurance program toward more active measures such as training and away from passive income support. Subsequently, with the passage of Bill C-21 in November 1990, a greater percentage of the Unemployment Insurance fund could be earmarked for Developmental Uses such as training, in support of its objective *"to provide an earlier return to employment by improving the employability of UI claimants through training."*

This evaluation initially focused on a particular training option for UI claimants, the Feepayer training option. Under this option, claimants may receive UI and are exempted from having to search for a job while taking training, although they or a third party must pay the cost of the training. It soon became evident, however, that a broader and comprehensive evaluation of UI-supported training could be carried out at the same time. This involved the assessment of the Feepayer training program as well as four other training programs taken by UI claimants. This study examined the following training programs: Feepayer, DIR[1] and three programs under the Canadian Jobs Strategy (CJS) — Job Development, Job Entry, and Skill Shortages. In addition, this study included a group of regular UI claimants for comparative purposes.

Each CJS training program has been evaluated in the recent past; but none of the evaluations has analysed systematically key findings by receipt or

[1] DIR clients (section 14) are defined as UI claimants who take part-time training without EIC sanction. DIR clients may be disentitled for not being available for work, or may be permitted to remain eligible for UI if the training (which usually occurs in the evening) does not interfere with the job search.

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non-receipt of UI. Thus, *this evaluation specifically addresses whether government training programs enhanced the re-employment prospects of UI claimants and whether the programs differed in their effectiveness.*

The evaluation of UI training directly compares the relative effectiveness of the Feepayer, DIR, and CJS approaches in terms of *five dimensions of employability: re-employment success, length of time to get a job, stability of employment obtained, receipt of social assistance, and earnings.* It focuses on regular UI recipients, and compares outcomes of each training program to outcomes of a comparison group of non-trainees (i.e., regular UI claimants who did not take training while on UI).

Evaluation methodology and data

This evaluation uses a non-experimental design to estimate program effectiveness. This approach is required because applicants are selected into training programs and not randomly assigned as would be the case in a true experiment. A variety of econometric and statistical techniques are used to assess whether the five training programs have an incremental impact on employability as compared to a group of regular UI beneficiaries not receiving training.

The study is based upon the experiences of UI trainees and non-trainees whose UI receipt commenced in one of four years — 1988, 1989, 1990, or 1991. Inclusion of these different cohorts permits us to assess the effects of the business cycle on the impact of the training program. The first two cohorts represent UI clients who participated in training programs prior to the onset of the recession; the last two cohorts were in training and sought work during a recession.

For many of the outcome measures of interest, we obtained longitudinal data, beginning two or more years prior to the start date of each cohort. This information is important because it permits us to determine the incremental impact of training programs by comparing the labour market outcomes before and after UI receipt, with or without training.

To assess the impacts of the training programs on the employability of clients and to gain accurate knowledge of the selection process into training, we conducted:

- a review of regional guidelines and operational procedures;
- personal interviews with EIC regional officials in all 10 provinces;
- mail surveys of 2450 UI trainees and 927 non-trainees (random samples of those on UI from January 1988 to June 1991);
- a telephone survey of 30 Canada Employment Centre managers;
- a mail survey of Canada Employment Centre counsellors across Canada; and
- an intensive analysis of EIC administrative data on the trainees and non-trainees.

Main findings

To assess the relative effectiveness of training programs in improving employability of UI claimants, we evaluated success on five dimensions: the probability of re-employment, the length of time needed to get a job, the proportion of time spent employed, the receipt of social assistance, and earnings.

Probability of re-employment

The incidence of re-employment differed substantially across training programs and cohort (year on UI). Controlling for demographics, work history and environmental characteristics, *participants in the Feepayer and Skill Shortages programs were no more likely to become re-employed than the UI only group, while DIR, Job Development, and Job Entry trainees were generally significantly less likely than UI only claimants to obtain a job after UI/training.*

Various traits and circumstances of the clients had a significant impact on the chances of re-employment, but the effect of these traits varied by cohort. Thus older workers had a lower chance of obtaining a job after UI. Region was generally insignificant, although those in B.C. and Alberta were significantly more likely to locate employment than Ontario clients. Gender had no effect in any year, and education had a positive but generally insignificant effect on the likelihood of finding a job. Having children under six significantly reduced the incidence of re-employment, as did being an immigrant, an aboriginal, or a visible minority. Re-employment prospects were higher for those who lost their job because they moved, returned to school, quit, or had seasonal work; not surprisingly, those who were on temporary lay-off were much more likely to become re-employed; job tenure, part-time work, and union membership had no effect.

It is important to emphasise that this cross-sectional analysis cannot determine the extent to which these differences are a consequence of the training intervention and to what extent they reflect selection into the programs (i.e. unobserved factors which make participants in the DIR, Job Development and Job Entry less likely to become re-employed than their UI only counterparts, even in the absence of training).

Duration of search to first job

Trainees required substantially less time than non-trainees to find a job following training/UI. For those who became re-employed, we found large differences between trainees and non-trainees in the length of time required to obtain a job following training/UI, with trainees requiring 11-17 weeks less (after completion of training) to become re-employed than non-trainees. More education reduced the amount of time it took to find work (about three weeks for every extra year completed). Provincial differences were small. Those who expected to be recalled to work within six months were re-employed six to seven weeks earlier than those who did not expect to be recalled. No other explanatory variable was significant.

Whether these differences in the length of time to find a job are a consequence of the training intervention or a reflection of selecting into training individuals with unobserved characteristics that make them more likely to become re-employed quickly cannot be determined from our cross-sectional analysis of the post-training period.

Proportion of time spent employed

Data on the proportion of time spent employed were available for both the pre- and post-training/UI periods. Thus it is possible to take account of the finding that training programs attract clients with very different average levels of time spent employed in the absence of training. In contrast to our findings relating to the probability of re-employment and the duration of non-employment, our estimates of the impact of training on the proportion of time spent employed take account of selection into the programs, and can thus be attributed to the training intervention. Concerning proportion of time spent employed, the 1988 cohort experienced the largest gains (post- versus pre-UI) followed by the 1989 cohort: the recession may well have lowered the proportion for more recent cohorts. clients in B.C., Saskatchewan, and Nova Scotia experienced significantly larger increases in time employed than those in Ontario. Of the other control variables tested, only tenure in the previous job had a significant effect: those with less tenure experienced greater gains. Controlling for client characteristics, we found that *only the Job Entry program had a significantly positive impact on proportion of time employed.* The Feepayer, Skill Shortages and DIR programs also generally had positive, but insignificant, impacts.

Reliance on social assistance

Training may be expected to reduce reliance on social assistance relative to the period before training. In comparing pre- and post-training periods, relative to non-trainees *a modest but significant rise in the incidence of welfare receipt was observed for Job Entry and Job Development clients.* The increased need to rely on social assistance was primarily restricted to Ontario; this is consistent with the view that the rise in social assistance during our sample period is associated with the 1990-92 recession, which hit Ontario particularly hard. Men, unmarried persons, and those with longer job tenure prior to UI experienced significantly larger rises in reliance on welfare.

Earnings

Examination of descriptive statistics revealed that different training programs attracted individuals who had very different average earnings prior to training. Relative to the UI only group, Feepayer and DIR participants had similar average annual earnings (prior to training), Skill Shortages participants had higher earnings, and Job Entry and Job Development clients earned less. Reinforcing the time series evidence on earnings differences, evidence from our regional interviews and counsellor survey showed that selection into the five training programs was non-random; rather selection depended on client traits, regional and local policy, cohort, and other factors. These observations suggest that it is important to account for factors that may cause earnings to differ, especially if those factors also influence selection into training programs. We did this by using the longitudinal nature of the earnings data, which allows one to control for unobserved factors that cause the earnings of some individuals or groups to differ from those of others. Sensitivity analysis showed the results were robust.

The findings vary by cohort and the years used to measure earnings changes. *For the 1988 cohort, the Skill Shortages, Feepayer, and Job Entry programs had significantly positive impacts on earnings; impacts for DIR and Job Development*

were positive but not significant. For the 1989 cohort, only the Job Entry program resulted in significant impacts on earnings. Specifically, the estimated real earnings gains between two years before training and 1991 were:

Training Program	Estimated Real Earnings Gain 1988 Cohort	Estimated Real Earnings Gain 1989 Cohort
Feepayer	$4816	—
DIR	—	—
Job Development	—	—
Job Entry	$4461	$4054
Skill Shortages	$6188	—
— not significant		

Results may have been different for the two cohorts because the 1989 cohort entered the job market during a recession.

We next included the basic demographic variables to account for differences in the composition of groups participating in the various programs. The overall pattern of results held, although the estimated impact of training was somewhat lower, as some of the impact was attributable to client traits. These estimates implied that training impacts were larger (though not always significantly so) for those who were unmarried, had more education, and lived in B.C. Younger participants also benefited more than older ones.

Rate of return

To analyse the payback to the social investment in UI training, average real earnings change before and after training are estimated for the 1988 cohorts by using the UI only group as the control, and compared to the average real program costs, including expenditures on UI benefits and training course and allowance costs.

When program costs are considered for the 1988 cohort against their earning changes in 1991, the private rate of return in earnings per dollar of the original social investment was greatest for Feepayer Trainees (0.46), followed by Skill Shortages (0.06) and Job Entry (-0.29). This represents the return for a single year of earnings following training. The payback to trainees may be larger if cumulative earnings are considered against the training investment.

Conclusions

Were UI recipients better off as a result of having taken training? The answer depends on the outcome at issue and, especially, on the type of training. Judging by earnings — the most widely used, and arguably most important, index of training program impact — UI training programs effects ranged from zero (DIR and Job Development) to impressively large (Job Entry, Feepayer, and Skill Shortages), especially for the 1988 cohort. Further, the most effective training appears to be training for a specific job, regardless of program label.

An Evaluation of UI-Sponsored Training by Norman Park, W.Craig Riddell and Robert Power, was published by Human Resources Development Canada as an Insurance Program evaluation report, August 1993.

Copies of the full technical report and further copies of this summary are available from:

Program Evaluation Branch
Strategic Policy
Human Resources Development Canada
Place de Ville, Tower B, 22nd Floor
112 Kent Street
Ottawa, Ontario K1A 0J9

Telephone: (613) 954-7709
Fax: (613) 954-0134